

AGENCY NAME:	State Accident Fund		
AGENCY CODE:	R12	SECTION:	075

Fiscal Year 2015-16 Accountability Report

SUBMISSION FORM

AGENCY MISSION	Provide a cost effective guaranteed workers' compensation market for state agencies, other government entities and, when in the best interest of the state, businesses in the private sector.
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AGENCY VISION	The South Carolina State Accident Fund will be a recognized leader in the field of workers' compensation insurance and the insurer of choice for governmental entities.
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Please state yes or no if the agency has any major or minor (internal or external) recommendations that would allow the agency to operate more effectively and efficiently.

RESTRUCTURING RECOMMENDATIONS:	None
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Please identify your agency's preferred contacts for this year's accountability report.

	<u><i>Name</i></u>	<u><i>Phone</i></u>	<u><i>Email</i></u>
PRIMARY CONTACT:	David Andrews	(803) 896-5044	dandrews@saf.sc.gov
SECONDARY CONTACT:	Gerald Murphy	(803) 896-5870	gmurphy@saf.sc.gov

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I have reviewed and approved the enclosed FY 2015-16 Accountability Report, which is complete and accurate to the extent of my knowledge.

AGENCY DIRECTOR (SIGN AND DATE):	
(TYPE/PRINT NAME):	Harry B Gregory, Jr.

BOARD/CMSN CHAIR (SIGN AND DATE):	
(TYPE/PRINT NAME):	

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AGENCY'S DISCUSSION AND ANALYSIS

The South Carolina State Accident Fund was established on April 17, 1943. The Fund is charged with the administration of the workers' compensation program for all state agencies. Creation of SAF centralized the administration of workers' compensation claims within a single agency, as the State effectively "self-insured" its workers' compensation coverage in the same manner as most large private businesses. By self-insuring, SAF provides the State a more stable source of insurance coverage and pricing, thus protecting the many underwriting risks associated with varied government functions.

Should the State Accident Fund fail to meet its mission, injured state employees would be denied necessary medical care and income while out of work. In that the State Accident Fund is other funded, allowing it to continue to operate in a financially responsible manner will prevent a crisis for state agencies and workers.

As set forth by statute, the agency determines rates and assesses premiums in the same manner as a private insurance company. ***It is funded entirely by the premiums it collects and receives NO general funds.***

Importantly, the Fund also provides coverage for hundreds of local governmental organizations which would otherwise be unable to procure coverage at a reasonable cost. In this way, the Fund provides county and municipal agencies a guaranteed alternative source of workers' compensation insurance coverage. Additionally, this guaranteed coverage at reasonable rates produces a moderating and stabilizing influence on the private market in general and enhances the business climate in South Carolina.

On July 1, 2013, the administration of the South Carolina Uninsured Employers' Fund (UEF) was transferred to the Director of the State Accident Fund. The UEF provides workers' compensation benefits to injured employees of businesses that have failed to obtain workers' compensation coverage through a policy of insurance or self-insuring. It is ***funded entirely*** by taxes on insurers providing coverage in the state and receives no general funds. Availability, affordability, and service have been the key benefits of the South Carolina State Fund. Its mission today remains to provide a cost effective guaranteed workers' compensation market for state agencies, other governmental entities and, when in the best interest of the State, businesses in the private sector.

The State Accident Fund measures success and establishes its goals based on the expectations of customers and stakeholders. Surveys and interviews have shown that our customers have similar expectations:

- Competitive rates,
- Low claim costs,
- Timely processing of claims, premium estimates and audit adjustments,
- Availability of customized services to support unique requirements and organizational structure,
- Willingness to write coverage and provide service to small accounts which pay a minimum premium.

The agency's core values are set forth in its Strategic Plan. They include: Competency, Continuous Improvement, Customer Satisfaction, Employee Development, Health and Safety, Honesty/Integrity/Professionalism, Individual and Agency Accountability, and Teamwork.

The key strategic challenges facing the agency are related to retention of management and improvement to the agency's case management system. The deficit in salaries of agency managers as compared to their counterparts in the private sector makes knowledge retention difficult. Key staff members are often recruited by other providers in the industry.

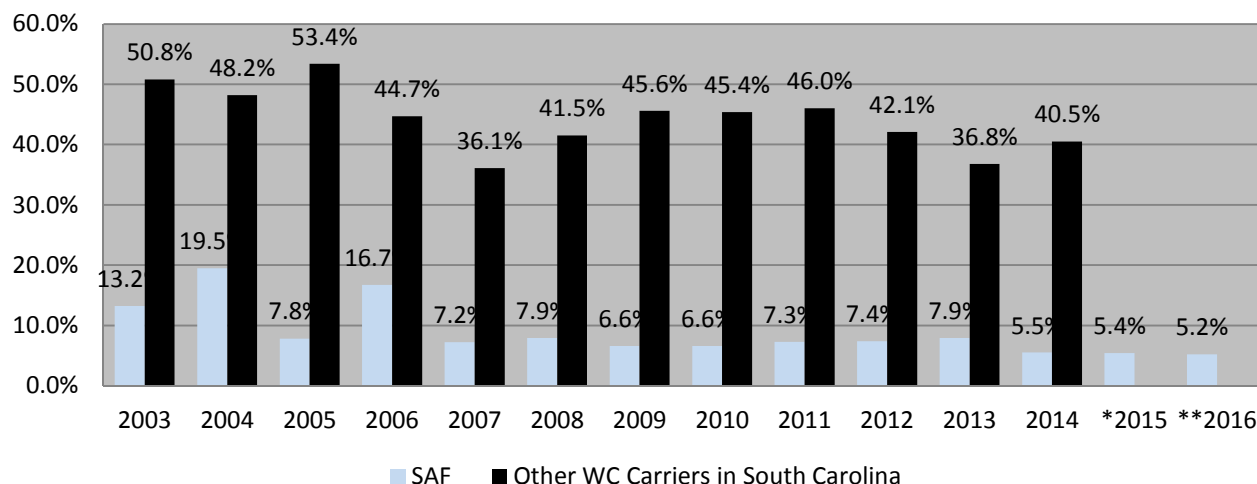
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The agency's current case management system was developed over 15 years ago and though it has received periodic patch upgrades, the system is no longer providing expected efficiencies. The replacement of this system will likely be costly and time consuming, but necessary to reduce operating cost and provide the highest level of customer support and service to our stakeholders.

The agency's major achievements during the period covered by this report are summarized below:

- The agency remained financially self-sustaining. (See comparison chart below.)
- Customer satisfaction scores remained high. (See survey results chart below.)
- Retention rates for voluntary accounts remained high.
- The agency's claim and administrative costs continued to be less than the private sector.
- Even though the agency has no marketing function, it gained 9 new accounts during the reporting period.
- The agency continued to explore and expand efforts to control costs through vendor partnerships for medical management, pharmacy bill cost containment programs and subrogation services. During the reporting period, the actual and/or estimated saving from these programs were:
 - Medical Services / Charge Review \$ 1,706,651
 - Pharmacy Services \$ 4,443,114
 - Subrogation Recoveries \$ 1,218,658
 - Physical Therapy Services \$ 518,037
 - Second Injury Fund Recoveries \$ 3,093,109

Administrative Cost Ratio Comparison

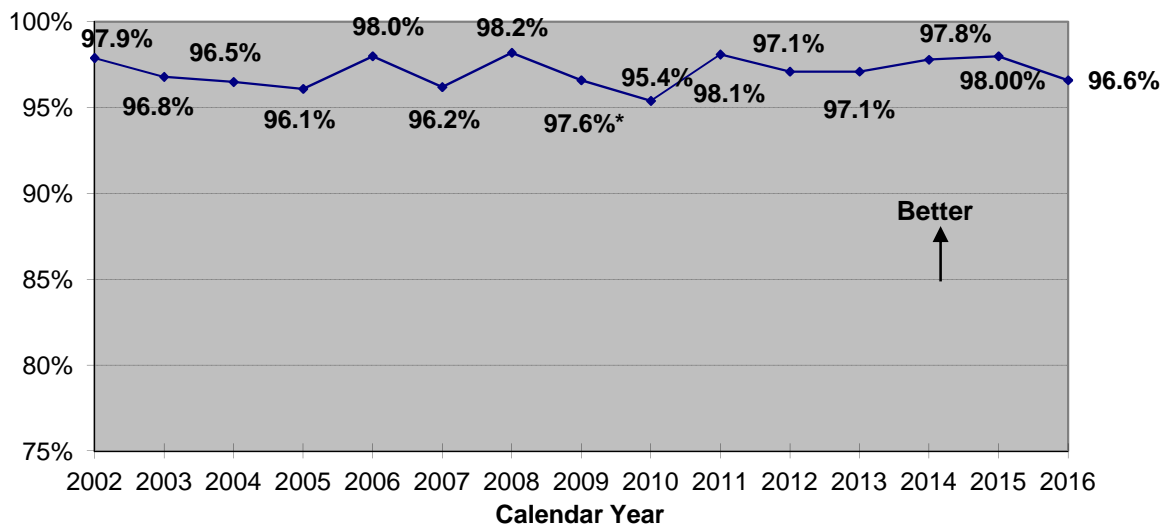


**Note: NCCI Data not available for CY 2015-2016.*

***Note: The figure shown for 2016 is an estimate and must be confirmed by our actuaries.*

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Results of Annual Customer Survey



As indicators from job creation and unemployment rates to consumer confidence and business investment signal a recovering and healthier business climate, the State Accident Fund stands prepared for the new challenges of a growing economy. Through a combination of disciplined risk selection, unrivaled claim and medical cost management, and careful use of our professional resources, SAF will continue to explore and develop new and innovative methods of decreasing operating expenses while maintaining low claim costs, stable premium pricing, and high customer satisfaction. It is our goal to understand the challenges and needs of our policyholders and assist them in meaningful ways to reduce their overall workers' compensation costs while promoting a safe work environment. By maximizing efficiency without sacrificing quality customer service, we believe we have achieved this goal with resulting rate and premium stabilization.

Through economic good times or challenges, the State Accident Fund remains committed to providing stable, long-term workers' compensation coverage to state, county, and local governments as cost-effectively as possible. At SAF, all we do is workers' compensation and our emphasis on higher efficiencies, lower costs, and improved delivery of services remains the key to our ongoing success. Expertise, responsive service, and long-term value – all ensure that the State Accident Fund is well-positioned to fulfill its commitments to our policyholders and their employees long into the future, and that is good news for South Carolina.

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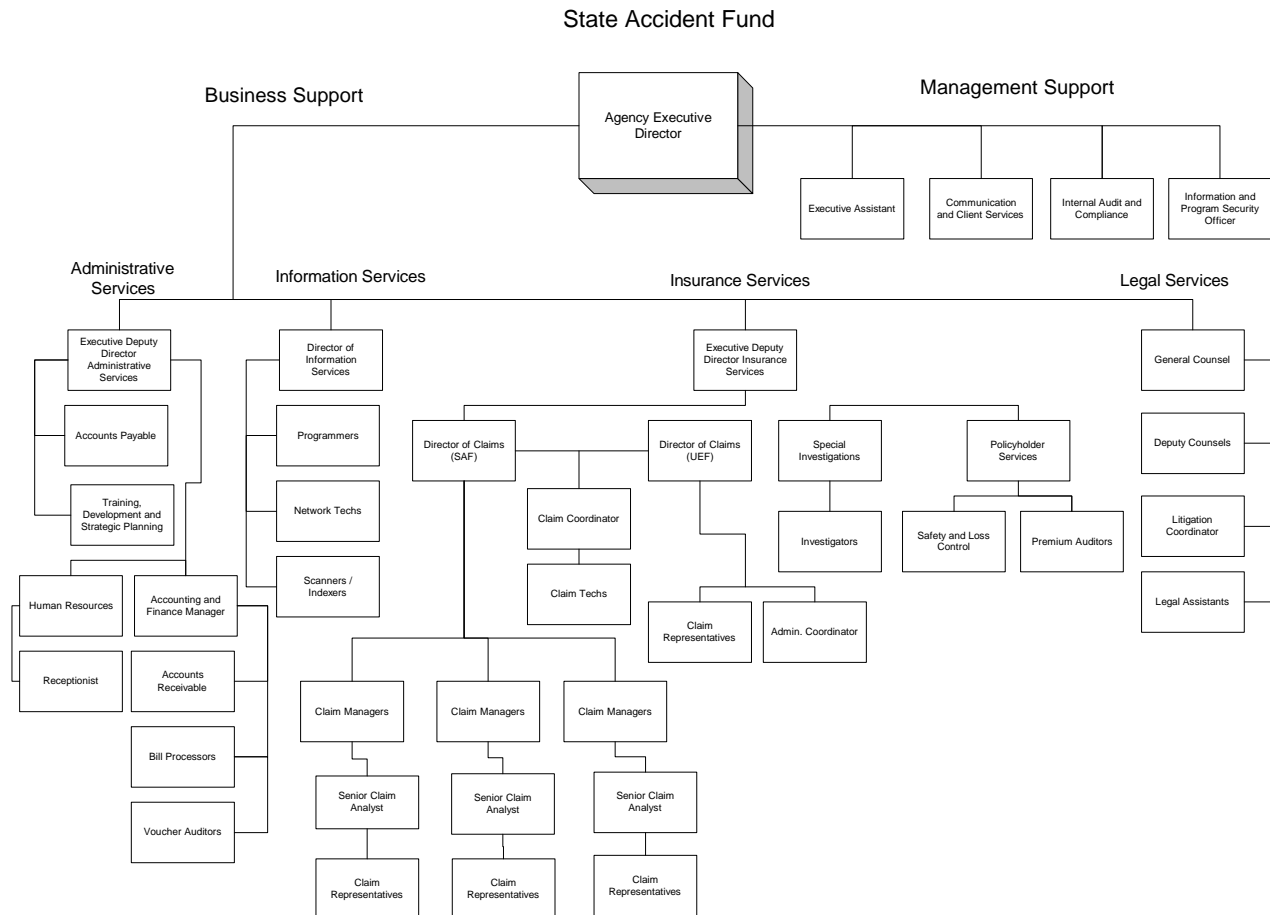
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STATE ACCIDENT FUND ORGANIZATIONAL CHART



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Strategic Planning Template

Type	Goal	Item # Strat	Object	Associated Enterprise Objective	Description
G	1			Government and Citizens	Maintain High Level of Customer Satisfactions
S		1.1			Conduct Annual Policyholder Satisfaction Survey
O			1.1.1		Maintain greater than 95% positive response rate on the annual policyholder survey.
S		1.2		Government and Citizens	Solicit Comments from Policyholder Education Seminars
O			1.1.2		Review participant comments
S		1.3		Government and Citizens	Compare satisfaction rates to national standards
O			1.3.1		Compare satisfaction rates to other Prosperity and Causality Companies
O			1.3.2		Compare satisfaction rates to other Public Administration agencies
S		1.4		Education, Training, Human Development	Measure Retentions rates
O			1.4.1		Measure policyholders retention
O			1.4.2		Measure premium retention
S		1.5		Education, Training, Human Development	Provide policyholders with loss prevention and safety services
O			1.5.1		Report on services provided
G	2			Government and Citizens	Be the leader in South Carolina Workers Compensation rule and regulation compliance
S		2.1		Government and Citizens	Review fine information
O			2.1.1		Track numbers and amounts of fines
O			2.1.2		Report causes of fines
G	3			Public Infrastructure and Economic Development	Agency remains finically self-sustaining.
S		3.1		Public Infrastructure and Economic Development	Compare cost to national standards
O			3.1.1		Compare average medical cost per claim
O			3.1.2		Compare average indemnity cost per claim
S		3.2		Public Infrastructure and Economic Development	The annual administration cost ratio will not exceed the industry average for the last five years.
O			3.2.1		Calculate Administrative cost ratio
S		3.3		Public Infrastructure and Economic Development	Collect premium as due
O			3.3.1		Percentage of Premium Billed over 90 days past due
O			3.3.2		Percentage of accounts audited within 180 days

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Strategic Planning Template

Type	Goal	Item # Strat	Object	Associated Enterprise Objective	Description
G	4			Public Infrastructure and Economic Development	The Fund's financial records will reflect a cumulative net gain in assets.
S		4.1		Public Infrastructure and Economic Development	Cost vs. Revenue
O			4.1.1		Claims Expense will not exceed Earned Premium for the fiscal year.
S		4.2		Public Infrastructure and Economic Development	Net Assets
O			4.2.1		The Agency will show an increase in net assets over the prior year.
S		4.3		Public Infrastructure and Economic Development	Program Cost less Bad Debt and Depreciation
O			4.3.1		Operating cost for the fiscal year will not exceed more than 15% of Earned Premium for the same period.

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Performance Measurement Template								
Item	Performance Measure	Target Value	Actual Value	Future Target Value	Time Applicable	Data Source and Availability	Calculation Method	Associated Objective(s)
1	Policyholder Satisfaction Survey	Greater than 90%	96.6%	Greater than 90%	July 1 - June 30	Annual Policyholder Satisfaction Survey	Percentage of positive responses from Annual Policyholder Survey	1.1.1, 1.3.1, 1.3.2
2	Agency satisfaction compared to Insurance Industry	Greater than 75%	SAF = 76 ACSI-P&C = 79	Greater than 75%	July 1 - June 30	American Customer Satisfaction Index (ASCI) 3rd Quarter, December 2013	Satisfaction rate on Annual Policy Holder Survey compared to Property & Casualty Industry rating as reported by ACSI.	1.3.1
3	Satisfaction compared to Public Administration	Greater than 75%	SAF = 76 ACSI-Public Administration = 64	Greater than 75%	July 1 - June 30	American Customer Satisfaction Index (ASCI)	Satisfaction Rate on Annual Policy Holder Survey compared to Public Administration rating as reported by ACSI	1.3.2
4	Policyholder Retention Rate	Greater than 80%	94.9%	Greater than 80%	July 1 - June 30	Agency Policyholder Management Database.	Percentage of policyholders who renewed or continued coverage with the Fund. (Voluntary Accounts)	1.4.1
5	Premium Retention Ratio	Greater than 80%	92.7%	Greater than 80%	July 1 - June 30	Agency Policyholder Management Database.	The Ratio of premium from renewed or continued policyholders. (Voluntary Accounts)	1.4.2
6	Number of gained accounts		9		July 1 - June 30	Agency Policyholder Database.	Number of new accounts.	1.1.1
7	Number of fines assessed by the Workers Compensation Commission	Less than industry average	3	Less than industry average	July 1 - June 30	Agency Claims Management Database.	The number fines assessed by the Workers Compensation Commission.	2.1.1
8	Amount of assessed fines	Less than industry average	\$600	Less than industry average	July 1 - June 30	Agency Claims Management Database.	The dollar amount of fines paid to the Workers Compensation Commission.	2.1.2
9	State Accident Fund average medical cost per claim	Less than industry average	\$3,192	Less than industry average	July 1 - June 30	Agency Claims Management Database.	Medical cost divided by the total number of claims.	3.1.1

10	State Accident Fund average indemnity cost per claim	Less than industry average	\$11,789	Less than industry average	July 1 - June 30	Agency Claims Management Database.	Indemnity cost divided by the total number of claims	3.1.2
11	State Accident Fund administrative cost ratio	Less than industry average	5.2%	Less than industry average	July 1 - June 30	Current year estimated using Trigger Report and finalized by the Fund's actuary.	Agency Accounting System	3.2.1
12	Percentage of premium 90 days past due	Less than 5%	0.00%	Less than 5%	July 1 - June 30	Past Due Amount as percentage of Earned Premium as reported in the Trigger Report	Agency Policyholder Database	3.3.1
13	Current Assets	Positive increase	8.0%	Positive increase	July 1 - June 30	Financial Statement	(Current Year - Prior Year) / Prior Year (Nets)	4.2.1
14	Change in operating cost	Reduction from past year	-5.10%	Reduction from past year	July 1 - June 30	Financial Statement	Total Administrative Expense less Depreciation, Amortization Expense, Reinsurance Premium, & Bad Debt	4.3.2

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Program Template

Program/Title	Purpose	FY 2015-16 Expenditures (Actual)				FY 2016-17 Expenditures (Projected)				Associated Objective(s)
		General	Other	Federal	TOTAL	General	Other	Federal	TOTAL	
I. Administration			\$ 3,263,156		\$ 3,263,156		\$ 7,590,532		\$ 7,590,532	1.1.1, 1.1.2, 1.3.1, 1.3.2, 1.4.1, 1.4.2, 1.5.1, 2.1.1, 2.1.2, 3.1.1, 3.1.2, 3.2.1, 3.3.1, 3.3.2, 4.1.1, 4.2.1, 4.3.1
II. Uninsured Employers Fund			\$ 410,558		\$ 410,558		\$ 922,914		\$ 922,914	2.1.1, 2.1.2, 3.1.1, 3.1.2, 3.2.1, 3.3.1, 3.3.2
III. Employee Benefits			\$ 1,029,788		\$ 1,029,788		\$ 1,446,034		\$ 1,446,034	

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						Legal Standards Template
Item #	Law Number	Jurisdiction	Type of Law	Statutory Requirement and/or Authority Granted		Associated Program(s)
1	42-7-10.	State	Statute	Establishment of the State Accident Fund.		Workers Compensation
2	42-7-20.	State	Statute	Describes the administration of the fund and the selection of the director.		Workers Compensation
3	42-7-30	State	Statute	Legal representation for fund; extra legal services; fees and expenses.		Workers Compensation
4	42-7-40	State	Statute	Application to State.		Workers Compensation
5	42-7-50	State	Statute	Subdivisions of State; optimal participation.		Workers Compensation
6	42-7-60	State	Statute	Officers and employees covered by article.		Workers Compensation
7	42-7-65	State	Statute	Average weekly wage designated for certain categories of employees.		Workers Compensation
8	42-7-67	State	Statute	Benefits for State and National Guard members.		Workers Compensation
9	42-7-70	State	Statute	Rates and premiums.		Workers Compensation
10	42-7-80	State	Statute	Payment of awards; notice of intention to contest award.		Workers Compensation
11	42-7-90	State	Statute	Expenditures from fund.		Workers Compensation
12	42-7-100	State	Statute	Fund director may insure liability.		Workers Compensation
13	42-7-200	State	Statute	Workers' compensation Uninsured Employers' Fund; claims; collection powers;		Workers Compensation
14	42-7-210	State	Statute	Transfers from general fund to State Accident Fund authorized.		Workers Compensation
15	42-7-310	State	Statute	Establishment, purpose, administration, funding and staff of Second Injury Fund		Uninsured Employers Fund
16	42-7-320	State	Statute	Termination of Second Injury Fund; schedule.		Uninsured Employers Fund
17	42-1-415	State	Statute	Representation of coverage; reimbursement from Uninsured Employers' Fund		Uninsured Employers Fund
18	42-1-490	State	Statute	Payments to claimant-inmates of State Department of Corrections.		Workers Compensation
19	42-1-500	State	Statute	County or municipal prisoners		Workers Compensation
20	38-55-530	State	Statute	Designated the State Accident Fund as an authorized agency under Article 5. Insurance Fraud		Workers Compensation
21	Regulation 67-201	State	Regulation	Sets forth the requirement to maintain coverage files and defines the agency as being a		Workers Compensation
22	Regulation 67-210	State	Regulation	Designates the State Accident Fund as a party to be served for hearing requests.		Workers Compensation
23	Regulation 67-405	State	Regulation	Sets forth the requirement for the State Accident Fund to file reports for coverage, notices of		Workers Compensation
24	Regulation 67-416	State	Regulation	Requires the State Accident Fund to report coverage, accident, and claims information to the		Workers Compensation
25	Regulation 67-417	State	Regulation	Stipulates that the Commission may conduct on-site examinations of the State Accident Funds		Workers Compensation

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Customer Template

Divisions or Major Programs	Description	Service/Product Provided to Customers	Customer Segments	<i>Specify only for the following Segments:</i> (1) <u>Industry:</u> Name; (2) <u>Professional Organization:</u> Name; (3) <u>Public:</u> Demographics.
State Accident Fund	Governor	All	Executive Branch/State Agencies	
State Accident Fund	Legislature	All	Legislative Branch	
State Accident Fund	Workers' Compensation Commission	Claim management services. Legal Services.	Executive Branch/State Agencies	
State Accident Fund	Policyholders	All	Executive Branch/State Agencies	
State Accident Fund	Injured workers	Claim management services. Medical case	Executive Branch/State Agencies	
State Accident Fund	Uninsured employers	Claim management services. Legal Services.	General Public	Injured Workers

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Partner Template

Name of Partner Entity	Type of Partner Entity	Description of Partnership	Associated Objective(s)
Workers' Compensation Commission (WCC)	State Government	The Workers' Compensation Commission is responsible for administering the workers' compensation law in South Carolina.	Number and amount of fines paid.

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Report Template

Item	Report Name	Name of Entity Requesting the Report	Type of Entity	Reporting Frequency	Submission Date (MM/DD/YYYY)	Summary of Information Requested in the Report	Method to Access the Report
1	2014 Other Funds Survey	SC Revenue and Fiscal Affairs Office	State	Every two years	11/12/2014	Revenue and cash expenditures	
2	Accident Report	State Fleet	State	Quarterly	Quarterly	Report of accidents involving State vehicles	
3	Accountability Report	Executive Budget Office	State	Annually	9/15/2016	Summary of strategic planning, goals, and business results.	Department of Administration, Executive Budget Office http://www.admin.sc.gov/budget/agency-accountability-reports
4	Agency Budget Plan	Executive Budget Office	State	Annually	October 1, 2016	Summary of recurring funds and capital funds requests.	Department of Administration, Executive Budget Office http://www.admin.sc.gov/budget/agency-budget-plans/current-budget-plans
5	Agency Restructuring and Seven-Year Plan Report	House Legislative Oversight Committee	State	Annually	March 31, 2015	Periodic Review of Agency Programs	House Legislative Oversight Committee http://www.scstatehouse.gov/CommitteeInfo/HouseLegislativeOversightCo mmittee/AgencyPHPFiles/StateAccidentFund.php
6	Annual IT Plan	Division of Technology	State	Annually	October 1, 2016	Assessing the need for and use of information technology	
7	Bank Account Transparency and Accountability	Executive Budget Office	State	Annually	October 1, 2015	Summary of accounts	
8	Debt Collection Report	Executive Budget Office	State	Annually	October 1, 2015	Determine amount of outstanding debt	
9	Deficit Monitoring	Executive Budget Office	State	Quarterly	Quarterly	Current and projected budget status.	
10	Financial Audit	State Auditors Office	State	Annually	October 1, 2016	Financial Information for the	State Auditor http://osa.sc.gov/Reports/stateengagements/Pages/StateAccidentFund.aspx
11	Mileage Report	State Fleet	State	Monthly	Monthly	Report mileage for each leased vehicle	
12	Minority Business	Governor's Office of Small and Minority Business	State	Quarterly	Quarterly	Information regarding contracts and subcontracts to minority business firms.	
13	Report to the General Assembly	Human Affairs Commission	State	Annually	October 23, 2015	Information on affirmative action and equal opportunity programs	http://www.scstatehouse.gov/reports/HumanAffairsComm/2016AnnualRe port.pdf
14	Restructuring Report and Cost Savings Plan	Office of Senate Oversight	State	Annually	January 13, 2015	Periodic Review of Agency Programs	
15	Travel Report	Comptroller General's Office	State	Annually	9/18/2015	Justification of travel for agency.	South Carolina Comptroller General http://www.cg.sc.gov/publicationsandreports/Pages/travelreports.aspx

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Oversight Review Template

Item	Name of Entity Conducted Oversight Review	Type of Entity	Oversight Review Timeline (MM/DD/YYYY to MM/DD/YYYY)	Method to Access the Oversight Review Report
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